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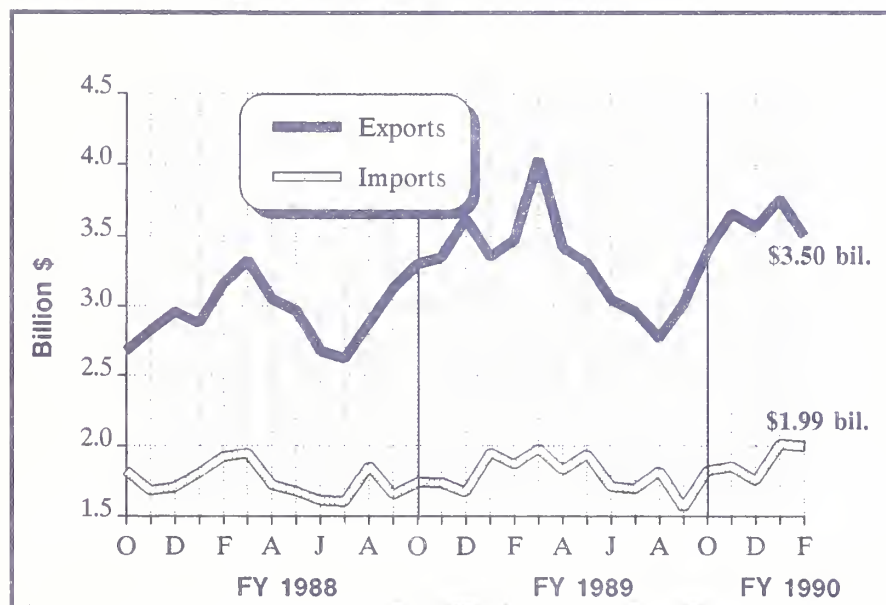
Foreign
Agricultural
Service

Circular Series

ATH 4-90
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AGRICULTURAL TRADE HIGHLIGHTS

February Exports Total \$3.5 Billion... Imports Approach \$2.0 Billion



February trade data released by the Commerce Department on April 18 placed U.S. agricultural exports at \$3.5 billion and 12.8 million metric tons. These figures represent increases of 1 percent in both value and volume from year-ago levels. February's performance brought the cumulative export total (October-February) for fiscal 1990 to \$17.9 billion and 69.1 million tons, compared with \$17.1 billion and 61.7 million tons for the first 5 months of fiscal 1989.

Commodity trends were mixed in February, but strong growth was noted in several categories. These included corn, barley, soybeans, soybean oil, cotton, pulses, planting seeds, poultry meat, beef and veal, hides and skins, fruit juices, fresh

and processed vegetables, fresh deciduous fruits, and almonds. However, significant declines in a few major commodity groups almost offset the gains in these commodities. Among these were wheat, feeds and fodders, dairy products, live cattle, animal fats, and fresh citrus fruit.

Japan was the leading market in February, at \$725 million. The European Community (EC) was close behind, at \$668 million and was followed by the Soviet Union, at \$319 million; Canada, at \$309 million; and South Korea, at \$219 million. Compared with last February, the United States showed sales increases in only three of the top 10 ten markets for U.S. farm products. This is in sharp contrast to year-to-date figures,

which indicate sales increases in seven of the top 10 markets.

The largest export increase for the month was to Canada, with sales rising \$147 million, or 90 percent from last February. Beginning in January, the U.S. Bureau of Census began adjusting its export statistics with Canadian import statistics to account for unreported U.S. shipments to Canada. This change in method of reporting explains much of the increase in sales to Canada for the month.

Agricultural imports in February totaled \$1.99 billion, down slightly from January's total but up \$129 million from February 1989. This brought the import total for the first 5 months of fiscal 1990 to \$9.43 billion, compared with \$8.96 billion for the same period a year ago. The agricultural trade surplus of \$1.51 billion brought the cumulative agricultural surplus to \$8.43 billion, compared with \$8.13 billion last year.

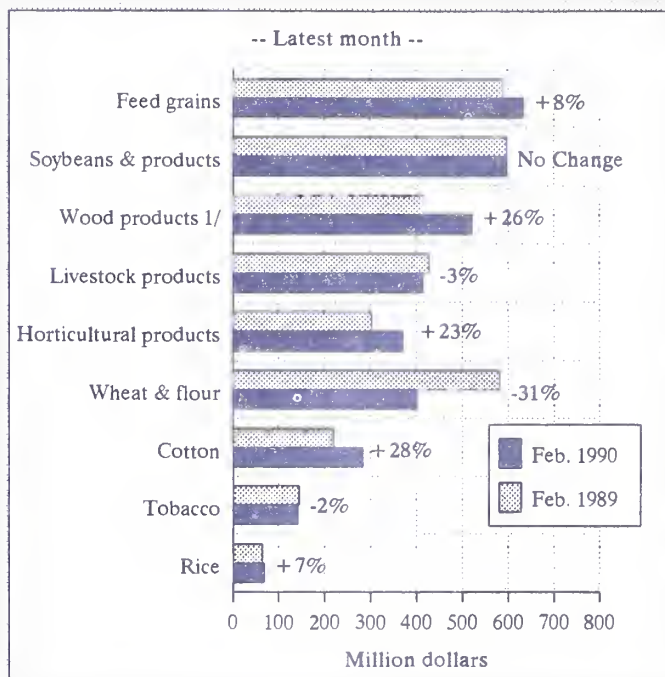
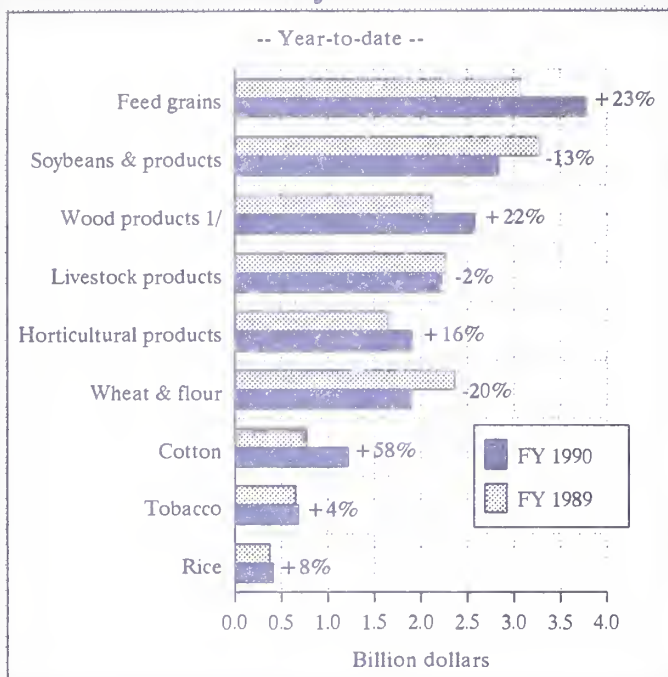
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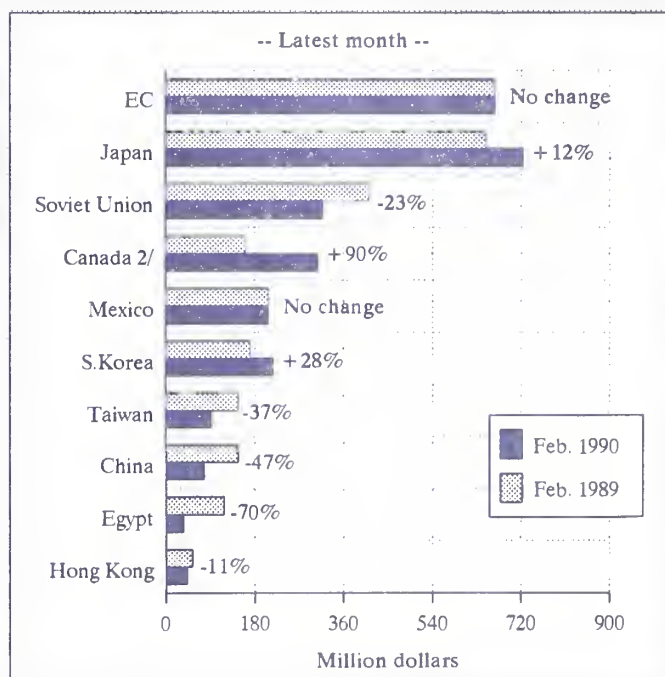
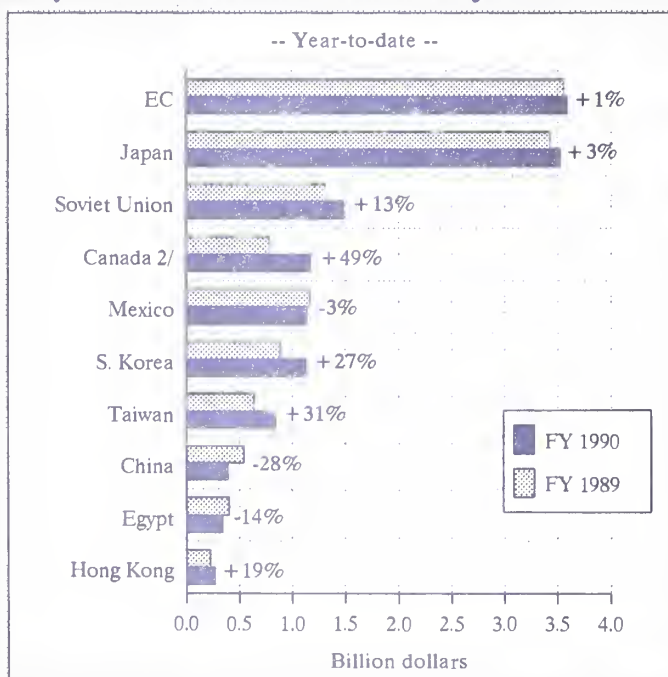
U.S. Agricultural Export Summaries

October-February and Latest Month Comparisons

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.

1/ Not included in agricultural totals. 2/ U.S. agricultural exports to Canada have been under-reported in past years by about \$1 billion a year and officially recognized by both Governments. Effective January 1990, the U.S. Bureau of the Census began adjusting U.S. export statistics to account for these differences.

Commodity Highlights

February's trade figures indicated only small export gains (1 percent in both value and volume) from a year ago. For the first 5 months of fiscal 1990, agricultural exports rose 4 percent in value and 12 percent in volume. Cotton, feed grains, horticultural products, and wood products have been the major contributors to the gains realized this year.

U.S. exports of *wheat and flour* for the month of February registered another month of significant declines, falling 31 percent in both value and volume from year-ago levels. Cumulative export figures indicate that wheat export value and volume have declined 20 percent and 23 percent, respectively, from the same period a year ago. The declines are largely attributable to a substantial drop in shipments to China, Egypt, and Pakistan.

In contrast to wheat, strong foreign demand for corn continues to boost U.S. *feed grain* export prospects. Total shipments of U.S. feed grains jumped 8 percent to \$635 million in February from year-ago levels. Volume increased 15 percent to 5.6 million tons. The Soviet Union has been the leading market, taking \$1 billion (28 percent) of total shipments during the first 5 months of fiscal 1990. Japan has also been a major buyer, taking \$819 million worth of feed grains during the same period. While the magnitude of purchases by other countries has not been nearly as large, substantial increases have been noted to other markets--namely, Mexico, South Korea, and Taiwan.

February's exports of U.S. *soybeans and soybean products* were little changed in value but increased 29 percent to 2.6 million tons in volume from a year ago. These data are consistent with year-to-date export figures, which show value declining 13 percent and volume increasing 14 percent. This is due to depressed

foreign demand caused by higher U.S. prices and abundant crop production in the Southern Hemisphere. To date, the drops have been concentrated mainly in the EC, Japan, and South Korea.

U.S. *cotton* exports continue to show strong performance. At \$283 million, February's exports were up 28 percent compared with year-ago levels. As in January, tight exportable supplies by competitors (China, Pakistan, and Egypt) and strong foreign demand were major reasons behind the increase. Cumulative trade data show strong U.S. export gains to Japan, the EC, South Korea, China, and Thailand.

Unmanufactured tobacco exports for the month were down 2 percent in value and 8 percent in volume from February 1989. However, cumulative figures show an increase of 4 percent from the same period a year ago. Declining sales to Japan (down 12 percent for the first 5 months) have been more than offset by rising demand for U.S. tobacco in the EC, Taiwan, Thailand, and Hong Kong.

Although February's *rice* export volume showed some slippage (5 percent) from year-ago levels, the sales value rose \$4.7 million, or 7 percent. For the first 5 months of fiscal 1990, rice exports rose 8 percent from a year ago to \$413 million. The value gains are the result of higher U.S. prices due to tight U.S. supply conditions. Declines in exports to the EC and Iraq were compensated by hefty gains to Peru, Mexico, and Saudi Arabia.

Livestock exports continued to trend downward in February, falling to \$415 million from \$428 million during February 1989. At \$2.23 billion, cumulative exports are running about 2 percent below year-ago levels. The declines are spread over several products, including live cattle, animal fats, variety meats, wool, furskins, and cattle embryos. The most sluggish export performance has been to Mexico, down 36 percent, and the EC, down 12 percent. Some growth has occurred in other major markets for U.S. livestock products (Japan, South Korea, and Canada) but it has not been enough to offset the large declines to Mexico and the EC.

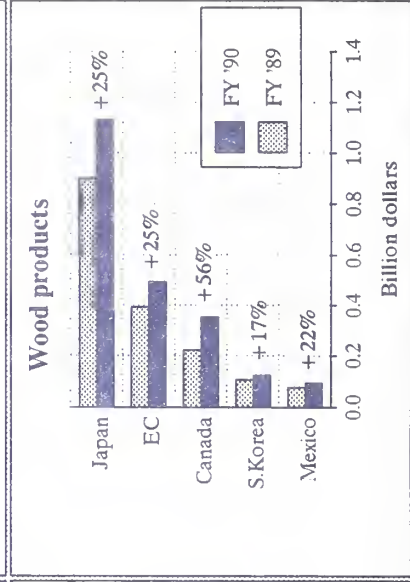
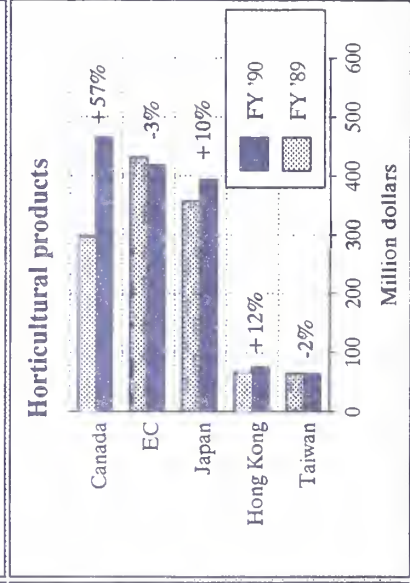
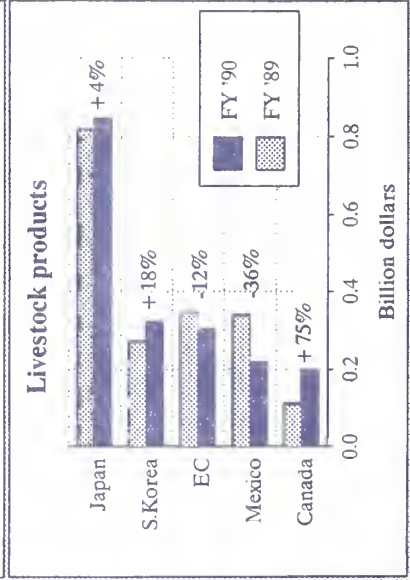
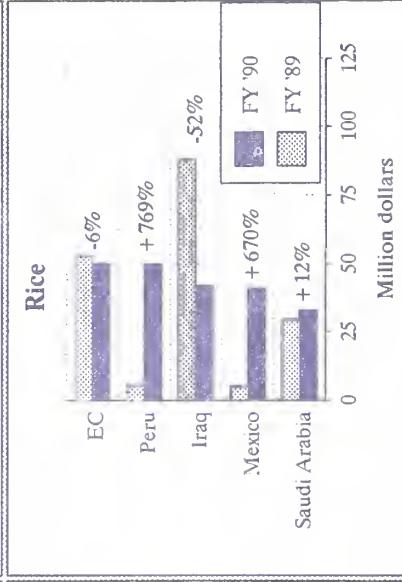
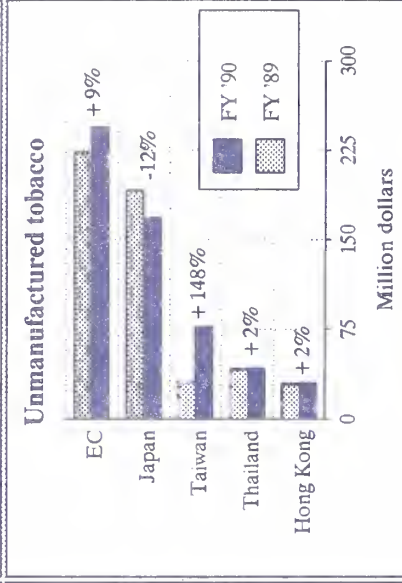
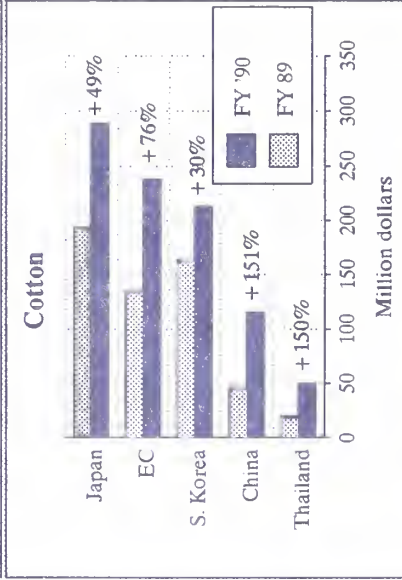
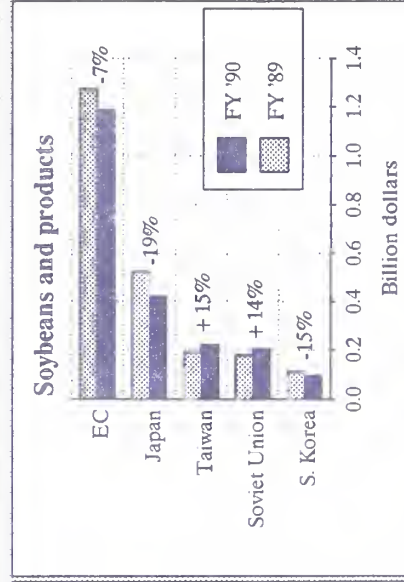
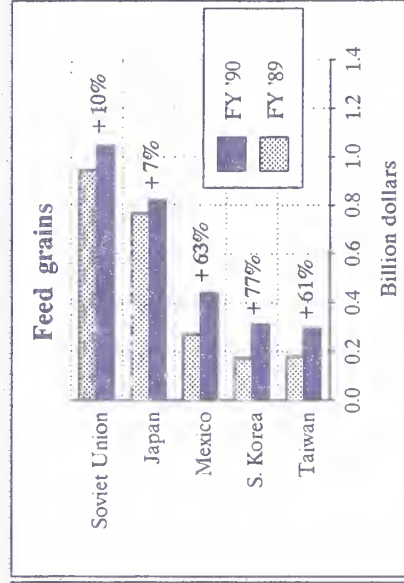
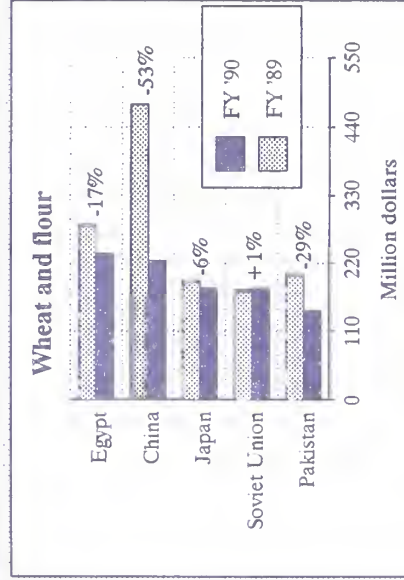
February's *horticultural products* registered healthy increases in value, following a substantial jump in January. Sales for the month totaled \$371 million, compared with \$303 million last February. Sales for horticultural products for October-February were up 16 percent in value and 9 percent in volume from year-ago levels. Fresh deciduous fruits, fruit juices, fresh and prepared vegetables, and wines all showed gains in February. The only notable decline was in fresh citrus, which was damaged by a severe freeze in Florida and Texas in December 1989. Increased exports to Canada, Japan, and Hong Kong overshadowed declines to EC and Taiwan.

Wood product exports in February rose 26 percent to \$522 million from year-ago levels. Cumulative export figures showed a significant increase of 22 percent in 1990. Japan continued to be the predominant market for U.S. wood products.

For more information, contact Emiko Miyasaka at (202) 382-9148.

Top Five Markets for Major U.S. Commodities

October-February Comparisons



Note: Percentages are computed as the change from fiscal 1989 to fiscal 1990.

Consumer-Oriented Exports Continue Strong Growth... Bulk and Intermediate Commodities Decline Slightly

Agricultural exports for the month of February continued to exhibit strong growth in the consumer-oriented category, but registered modest declines in the bulk and intermediate categories.

So far this year, strong growth in consumer-oriented exports and moderate growth in bulk exports have outweighed the decline in the intermediate category. Total agricultural exports for the first 5 months of fiscal 1990 are running 4 percent ahead of 1989's comparable figures.

Cumulative-to-date figures show consumer-oriented products up 10 percent to \$3.6 billion, bulk commodities up 6 percent to \$10.4 billion, and intermediate products down 4 percent to \$3.9 billion from October-February 1989.

Agricultural exports show strong growth in consumer-oriented category.

For February, exports of consumer-oriented products totaled \$735 million. This represents an increase of 23 percent over last year's monthly total of \$596 million. Most major consumer-oriented products registered increases from last February. An exception was fresh citrus, which was damaged by last December's freeze.

Poultry meat posted the most significant gain, rising 49 percent to \$58 million. Tree nuts increased 24 percent to \$56 million, fresh fruits and vegetables gained 23 percent to \$141 million, processed fruits and vegetables advanced 15 percent to

\$83 million, and red meats rose 15 percent to \$194 million.

Bulk commodity exports totaled \$2.01 billion in February, compared with last year's monthly total of \$2.06 billion. Wheat was the only major bulk product to show a decline, falling 30 percent to \$387 million. Cotton continued to register strong gains, rising 28 percent, to \$283 million. Corn increased 11 percent to \$528 million, soybeans rose 1 percent to \$457 million, and tobacco advanced 1 percent to \$146 million.

Intermediate exports for the month came to \$750 million, a decline of 8 percent from last February's total of \$813 million. Commodities contributing to the decline were live animals, down 33 percent; soybean meal, down 14 percent; feeds and fodders, down 8 percent; and hides and skins, down 3 percent. A few intermediate products did show significant gains, however. These were soybean oil, up 94 percent; and planting seeds, up 25 percent.

For more information, contact Kelly Kirby at (202) 382-1034.

U.S. Agricultural Exports by Major Processing Stage

February 1990 versus Month-ago and Year-ago

Major Products Exported	Feb. 1990	Month Ago	Year Ago	% Change From Jan.'90 Feb.'89	
	-- Million \$ --				
Bulk products	2,014	2,185	2,056	-8%	-2%
Corn	528	687	477	-23	11
Soybeans	457	472	451	-3	1
Wheat	387	347	554	12	-30
Cotton	283	323	221	-12	28
Tobacco	146	122	145	20	1
Intermediate products	750	859	813	-13	-8
Feeds & fodders	135	178	146	-24	-8
Hides & skins	142	155	146	-8	-3
Soybean meal	112	114	130	-2	-14
Planting seeds	69	88	55	-22	25
Live animals	27	42	40	-36	-33
Consumer-oriented	735	712	596	3	23
Red meats	194	185	169	4	15
Fresh fruits & vegetables	141	145	115	-3	23
Processed fruits & vegetables	83	99	72	-16	15
Poultry meat	58	45	39	29	49
Tree nuts	56	43	45	30	24
Grand total	3,498	3,755	3,464	-7	1

Bulk commodities include wheat, rice, feed grains, soybeans, other unprocessed oilseeds, cotton, unmanufactured tobacco, planting seeds, and pulses.

Intermediate products are principally semi-processed products such as wheat flour, feeds and fodders, hops, oilseed meals, vegetable oils, hides and skins, animal fats, wool, and refined sugar. Live animals are also included.

Consumer-oriented products are fundamentally end-products that require little or no additional processing for consumption and include all items not listed in the above categories, such as fresh and processed horticultural products, fresh and processed meats, dairy products, table eggs, and bakery products.

Rise in Agricultural Imports Propelled by Increased Purchases of Fruits and Vegetables

U.S. agricultural imports in February fell slightly to \$1.99 billion from January's high of \$2.01 billion, but rose \$129 million from the \$1.86 billion level of a year ago. This increase from the previous year was the result of larger purchases of competitive products, especially fruits and vegetables. While competitive imports registered a 13 percent gain from February 1989, noncompetitive imports showed a 10-percent decline.

The fiscal year-to-date value of imports reached \$9.4 billion, an increase of 5 percent from the \$9.0 billion recorded for October-February 1989. The entire increase was due to a 12-percent jump in the cumulative value of competitive products which brought the 5-month total to \$7.1 billion. Over this same period, noncompetitive products dropped 11

Vegetables overtake coffee as highest-valued agricultural import item.

percent to \$2.2 billion.

Of the top competitive imports listed in the inset box below, vegetables posted the largest gain (42 percent) from last February's figures. This upswing was much higher than the normal seasonal adjustment, due mainly to the effects of the December freeze. Consequently, vegetables overtook coffee as the highest-valued import item in January. Higher prices for tomatoes, peppers, peas, and asparagus, purchased primarily from Mexico, have been responsible for the increased value of vegetable imports in January and February.

Notable gains from year-ago levels were also posted for other competitive products. Beef and veal imports, supplied principally by Australia, Canada, and Brazil in February, grew 36 percent while fruits and fruit juices grew 27 percent. Increased purchases of Chilean grapes and Brazilian orange juice contributed to the rise in fruit imports. Smaller increases were noted for dairy and poultry products, up 20 percent; pork, up 5 percent; and wines and beer, up 1 percent.

In contrast to the competitive products, all major noncompetitive products except tea showed declines from February 1989. Spices, which recorded the most significant drop, were down 35 percent with vanilla beans, cinnamon, and pepper being hit the hardest. Rubber and allied gums fell 16 percent, followed by bananas and plantains, down 10 percent; cocoa, down 9 percent; and coffee, down 8 percent.

Although the EC remains the largest supplier of U.S. agricultural imports, Canada and Mexico are rapidly gaining market share. In February, Canada's share of the import market increased 7 percent while Mexico's share increased 42 percent. Canada and Mexico both benefited from the larger imports of fresh fruits and vegetables, but Canada also benefited from the higher purchases of beef and veal.

For more information, contact Kathleen Anderson at (202) 382-9055.

Noncompetitive imports do not compete with U.S. production and include: bananas/plantains, coffee (incl. processed), cocoa (incl. processed), rubber/allied gums, spices, essential oils, tea, and carpet wools. All other imports are classified as competitive.

U.S. Agricultural Imports by Major Product Sector

February 1990 versus Month-ago and Year-ago

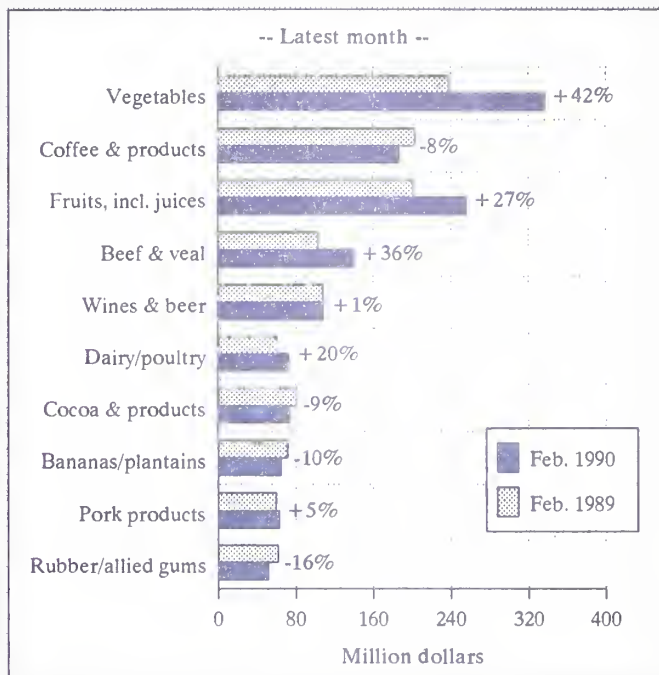
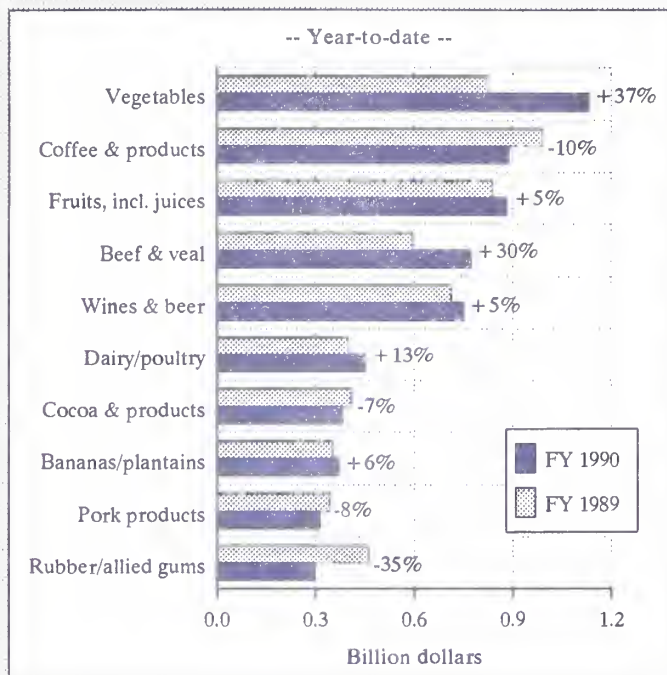
Import Category	Feb. 1990	Month Ago	Year Ago	% Change From	
	-- Million \$ --			Jan.'90	Feb.'89
Total competitive	1,550	1,514	1,372	2%	13%
Vegetables	337	322	238	5	42
Fruits, incl. juices	256	224	201	14	27
Beef & veal	140	168	103	-17	36
Wines & beer	109	115	108	-5	1
Dairy/poultry	73	82	61	-11	20
Pork	63	61	60	3	5
Total noncompetitive	441	499	491	-12	-10
Coffee & products	187	177	203	6	-8
Cocoa & products	74	93	81	-20	-9
Bananas/plantains	65	83	72	-22	-10
Rubber/allied gums	52	59	62	-12	-16
Spices	13	22	20	-41	-35
Tea	12	14	10	-14	20
Total agri. imports	1,991	2,012	1,861	-1	7

Source: Commodity Trade Analysis Branch, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.

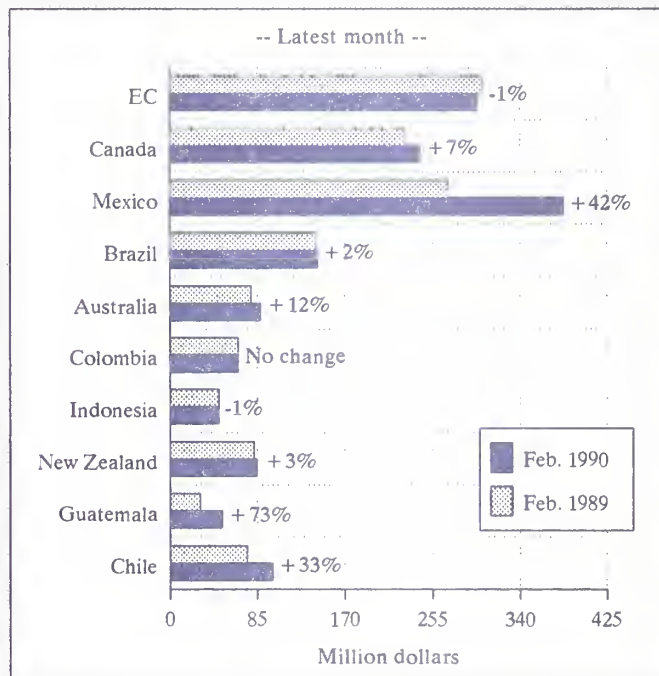
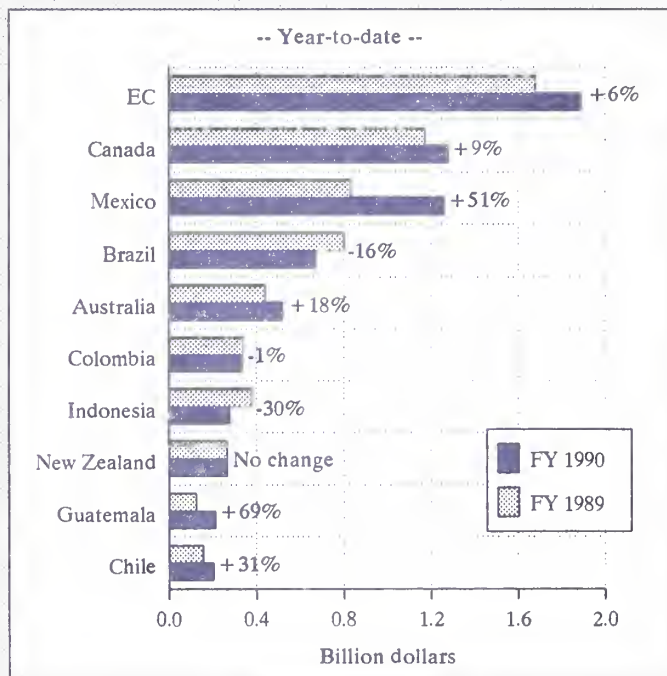
U.S. Agricultural Import Summaries

October-February and Latest Month Comparisons

Product Summary



Top Ten Suppliers Summary



Note: Percentages are computed as the change from a year ago.

Recent Developments In Agricultural Trade

Strong Beef Demand In South Korea

South Korea tendered for over 21,000 tons of beef during the first 3 months of calendar year 1990. One-third of the 1990 beef tenders have been for grain-fed, boneless beef typically supplied by the United States. Strong demand for beef is expected throughout the year. Korea will likely import the 58,000 tons of beef agreed upon in the March record of understanding well before the end of the year. The value of U.S. beef exports to Korea in 1989 totaled a record \$79 million.

Venezuela Lifts Ban On Imports

Venezuela issued import licenses for corn for the first time since 1986 because of a short crop and its importance as a food grain. Venezuela presently has a supply deficit of 1.7 million tons of corn and sorghum. The shortfall was expected to be filled by sorghum imports, but only 100,000 tons have been purchased thus far this year. Licenses for 100,000 tons of corn were issued and are expected to be supplied by the United States with additional purchases likely. During the early 1980's, Venezuela imported 1.0 to 1.5 million tons of corn.

Japan Eliminates Selected Import Quotas For Beef Products

Effective April 1, 1990, Japan eliminated import quotas for various prepared and preserved beef products in accordance with the 1988 U.S.-Japan Beef Agreement. Items affected by this change include boiled beef, canned corned beef, and beef jerky strips. According to Japanese statistics, imports of U.S. boiled beef and canned corned beef in 1989 totaled 709 tons and 33 tons, respectively. U.S. beef jerky dominates the beef jerky market supplying 92 percent of total Japanese imports. Tongue trimmings were reclassified as tongue, an edible offal, and therefore are no longer subject to the import quota system.

U.S. Cotton Exports To China Reach Record High

China purchased 377,000 bales of U.S. cotton last month. Total cotton commitments for marketing year 1989/90 are slightly over 1.0 million bales and nearly 88,000 bales above last year's comparable level. China's total cotton imports for 1989/90 are estimated at 1.7 million bales, 13 percent above last year. The U.S. share of China's cotton imports is forecast at 59 percent for marketing year 1989/90.

Mexico's Dried Bean Imports Increase

Mexico has stepped up its pace of dried bean purchases in response to current production shortfalls. Imports are expected to increase to 200,000 tons for fiscal year 1990. The United States has shipped more than 60,000 tons in the first 5 months of fiscal 1990, compared with 3,300 tons over the same period in 1989. The United States supplied only 50,000 tons of dried beans to Mexico for the entire year in fiscal 1989.

USDA Releases April Forecasts for Oilseeds Supply and Demand

World oilseed production during 1989/90 is estimated at 213.3 million tons this month, slightly less than the March estimate. Production is down for soybeans, cottonseed, peanuts, sunflowerseed, and copra, and is only partially offset by increases in rapeseed and palm kernels. U.S. exports of soybeans are forecast at 16.6 million tons, up 544,000 tons from last month's estimate. U.S. soybean exports are supported by favorable crush margins in Europe, and lower soybean meal prices are encouraging meal use in the EC.

U.S. soybean crush was increased slightly, while ending stocks were lowered 680,000 tons. Soybean oil consumption in the United States increased 9 percent this month over last year's figure to 5.2 million tons. This increased domestic use resulted in a lowering of soybean oil ending stocks to 476,000 tons, a 39-percent decrease from last year's level.

... Recent Developments

Mexico To Increase Milk Production

Mexican fluid milk production should increase in 1990 due to better producer prices and increased dairy cattle imports. The milk pricing system in Mexico now allows regional governors, producers, and processors to set milk prices. Mexico is expected to import greater quantities of dairy breeding cattle in 1990 due to the higher milk prices, although the absence of fiscal 1990 GSM-102 and GSM-103 credit for dairy cattle will moderate U.S. exports. Mexico is expected to continue importing large quantities of nonfat dry milk (NDM) in 1990 to maintain ample supplies for lower income families. However, there will be a significant drop in total U.S. NDM exports to Mexico this year because Commodity Credit Corporation (CCC) has no NDM available for export, GSM-102 credit has been reduced, and U.S. commercial prices are less competitive with international prices.

New Zealand-Mexico Dairy Trade Agreement

The New Zealand Dairy Board (NZDB) and the Government of Mexico announced that they will sign a new 5-year agreement on dairy trade. The previous agreement expired in 1987. Nearly \$300 million (180,000 tons) of skim (NDM) and whole milk powder and anhydrous milkfat was sold by the dairy board this year under contract to Mexico. Some of the NDM, however, was sourced in the United States. The board expects exports to continue at current quantity levels and prices. Mexico is the the largest market for U.S. dairy products, with U.S. exports (primarily NDM) exceeding \$150 million in 1989.

Chilean Poultry Exports Expand Sharply

Chilean chicken meat exports reached \$9 million in 1989, nearly thirty times the minimal level of exports in 1985. Exports of whole chickens and chicken parts go to five Latin American countries, Spain, Tahiti, Hong Kong, and Japan. If significant export growth continues, Chilean chicken could compete with U.S. exports of chicken parts to Japan and Hong Kong. The ability of Chile to significantly expand exports will depend primarily on economic policy decisions that affect real wages (relatively low labor costs are Chile's chief export advantage for poultry), exchange rates, and export incentives.

New Zealand Exporting Grain-fed Beef to Japan

Five Star Beef Inc., a New Zealand/Japanese joint venture company, plans to establish a commercial feedlot in New Zealand. Until now, New Zealand has exclusively exported grass-fed beef to Japan. New Zealand feedlot beef would be in direct competition with the primary U.S. beef export product to Japan. However, commercial feedlot activity in New Zealand is not expected to grow substantially, given the large existing grass-fed industry.

EC Wheat Export Pace May Be Stepped Up

Pressure is building for a more aggressive EC wheat and barley export program because of the rising costs of surplus grain in intervention storage. A large intervention stocks buildup is counter to the prevailing EC stocks reduction policy. Both France and Germany are very short of intervention storage space, and farmers are being paid to store grains on farm. Not only might the EC open additional export tenders for old crop, but the prospect of a bumper 1990 harvest could prompt the EC to open new crop export tenders early, possibly in May, instead of mid- to late-June.

Reduced Supplies of Greek Durum Affects EC Trade

For the second consecutive year, Greece is expected to have smaller exportable supplies of durum due to another crop shortfall. Greece normally exports some 800,000 tons of durum, mostly to other EC countries, with Italy taking 30 to 40 percent. Tighter internal EC supplies will cause those countries to take more durum from the United States. Durum exports to countries outside the EC could be constrained and provide additional market demand for U.S. durum.

... Recent Developments

Dutch Egg Exports To Hong Kong Fall In Early 1990

Dutch egg exports to Hong Kong, one of the United States' most important table egg markets, were down by about one-third in January 1990 from a year ago. The lower value of the U.S. dollar, the high cost of freight from Europe, and estimated 50-percent reductions in EC restitution levels contributed to the change. Lower U.S. egg prices and increased Thai exports are also affecting Dutch exports. U.S. egg exports to Hong Kong in 1989 declined along with the U.S. market share due primarily to reduced exports under the U.S. Export Enhancement Program, while Dutch egg exports to Hong Kong nearly doubled.

Pakistan's Export Pricing Scheme Limits Shipments

Pakistan's cotton export forecast for marketing year 1989/90 was reduced by 600,000 bales to 1.6 million bales because of strong domestic prices in the face of Pakistan's restrictive export pricing scheme. Pakistan's "benchmark" price ceiling is proving to be a roadblock for private exporters under the currently tight-supply, high-domestic-price situation. With prevailing domestic prices running well above the benchmark, purchases by exporters are currently uneconomical. Consequently, only about 1.32 million bales of the 1989/90 crop are likely to be exported, down from the Government's initial export forecast of 1.56 million bales.

Forest Products Talks With Japan Move Forward

U.S. negotiators spent 3 extra days in Tokyo seeking improved market access for wood products. Talks progressed on a number of items, but substantial issues remain. The U.S. position continues to be that resolution requires a comprehensive package including tariffs, incorrect classifications of tariffs, building codes, and standards. A satisfactory agreement for wood products, the last of the three original Super 301 cases, may affect whether or not Japan is included in the next round of Super 301 cases. Negotiations will resume during the week of April 23 in Tokyo.

South Korea Spinners Face Increased Competition

South Korean cotton spinners and weavers are feeling the pinch of increased competition from textile producers in developing countries (China, Pakistan, and Indonesia). Falling export prices for yarn in early 1990 resulted in the worst first quarter performance since 1986. Nonetheless, South Korea's Spinners and Weavers Association (SWAK) remains optimistic about the rest of 1990. SWAK expects yarn and fabric exports to rise almost 8 percent to 589,000 tons, worth over \$2.1 billion. The United States is South Korea's principal cotton supplier supplying 65 percent of overall demand. As of April 5, U.S. export commitments to South Korea for marketing year 1989/90 stood at 1.26 million bales.

Increased Wheat Exports From Canada Likely

Canada's exportable wheat supplies are expected to increase by 2-2.5 million tons in 1990/91. Canada is also expected to rebuild stocks from the lowest levels in 20 years. There are presently good prospects for a bumper crop, and domestic use is expected to decline to traditional levels.

Recent Announcements For P.L. 480 and GSM Programs

On March 23, the USDA announced \$12.5 million in GSM-102 and \$2.5 million in GSM-103 programs to Panama for fiscal year 1990. On April 12, Uganda signed a fiscal year 1990 P.L. 480, title I agreement for \$6.0 million (approximately 15,000 tons) worth of tallow. To-date, approximately \$508.4 million worth of agricultural commodities have been programmed under P.L. 480, title I/III for fiscal year 1990. On April 18, Haiti received \$7 million worth of GSM-102 coverage. As of April 19, \$4.16 billion and \$413.5 million have been allocated under the GSM-102 and GSM-103 programs, respectively.

For more information, contact Ron Croushorn at (202) 382-9522.

U.S. and EC Agricultural Trade... Disturbing Trends Seen

The business media and popular press have widely reported on the sharp reduction in the U.S. merchandise trade deficit with the EC in 1989. This prompted FAS to examine the state of U.S.-EC agricultural trade. The results of the study were not encouraging.

Last year, the overall U.S. trade deficit with the EC fell to only \$1.5 billion, down from \$12.7 billion in 1988 and 1986's peak of \$25.2 billion. However, all of this improvement has been in nonagricultural products. U.S. exports of these products have almost doubled since 1985 while nonagricultural imports from the EC have risen only 25 percent. Unfortunately, these positive developments have not spilled over into U.S.-EC agricultural trade.

In fact, trends in U.S.-EC agricultural trade during the 1980's are disturbing. From 1980 to 1985, U.S. agricultural exports to the EC suffered a steady decline, from \$11 billion to \$6.4 billion. Since 1985, agricultural exports have been basically flat despite the strong resurgence in U.S. agricultural exports to other countries. For 1990, exports are expected to fall to \$6.1 billion, down \$400 million from 1989.

Most of the loss has come in bulk commodities, namely, grains, and more recently, soybeans and products. This has been due largely to the community's mounting commodity surpluses built up after implementation of the EC Common Agricultural Policy (CAP). In fact, the EC's need to dispose of these surpluses has resulted in its becoming a major U.S. competitor in the world market for grains. The EC has made liberal use of export subsidies to achieve its desired results.

For example, U.S. bulk grain exports (wheat and feed grains) to the EC totaled 19.2 million tons in 1979/80. By 1989, they had fallen to 3.3 million

tons. Trade data show EC imports of grains from all sources falling from 27.3 million tons at the beginning of the decade to 5.9 million tons in 1989. The United States has absorbed nearly three-fourths of this market loss. At the same time, the EC doubled its take of the world grain market, expanding its exports from 15.7 million tons in trade year 1979/1980 to 31.8 million tons in 1988/89. This grain has gone mainly to traditional U.S. markets such as the Soviet Union, North Africa, and the Middle East.

Another example is provided in the oilseed sector. U.S. soybean and product sales to the EC in calendar 1989 fell to 6.8 million tons, the lowest level since 1969. While the community is still the largest U.S. market for oilseeds, it has been able to make large strides towards achieving self-sufficiency in this sector, thus reducing its need to import these products. Unless protectionist EC import policies and overly stimulative production policies change, the downward trend appears likely to continue.

From an individual country perspective, the largest U.S. export losses have occurred to the Netherlands (\$3.4 billion in 1980 vs. \$1.7 billion in 1989) and West Germany (\$1.8 billion in 1980 vs. \$996 million in 1989). It should be pointed out that the Netherlands is a major transshipment point in Europe and these data are not adjusted for transshipments. The only country within the EC where U.S. agricultural exports increased during the 1980's is Ireland, rising

from \$66 million in 1980 to \$202 million in 1989.

Meanwhile, U.S. imports of European agricultural products have increased dramatically. In calendar 1980, the United States imported \$2.4 billion worth of agricultural goods from the EC. By 1989, the import total had risen to \$4.3 billion. Much of this value gain can be attributed to the appeal that European products have to American consumers and the relatively low level of protection (tariffs and quotas) on products entering the United States.

Good examples are French wines, German and Dutch beer, Danish hams, and Italian olives and pastas. Also, the increasing number of multinational food companies operating in the EC has resulted in sharp increases in processed fruit and vegetable shipments to the United States in recent years. All of the EC countries have benefited tremendously from the surge in U.S. demand for their products.

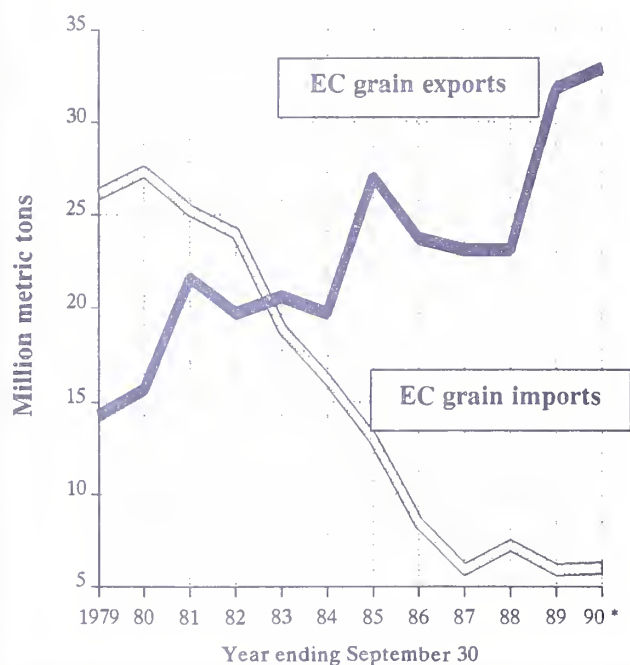
Taken together, the trends in U.S.-EC agricultural trade (falling exports, rising imports) have resulted in a sharp narrowing of the agricultural trade surplus traditionally enjoyed by the United States. At \$2.3 billion in 1989, the U.S. agricultural trade surplus with the EC was down 73 percent from the \$8.6 billion surplus posted in 1980.

While the annual surplus trend appeared to have stabilized at around \$2.3-2.5 billion between 1985-89, the latest USDA forecast indicates it will drop to only \$1.9 billion in 1990. Continued growth in imports combined with stagnant or falling export sales suggests this surplus could disappear altogether by the mid-1990's.

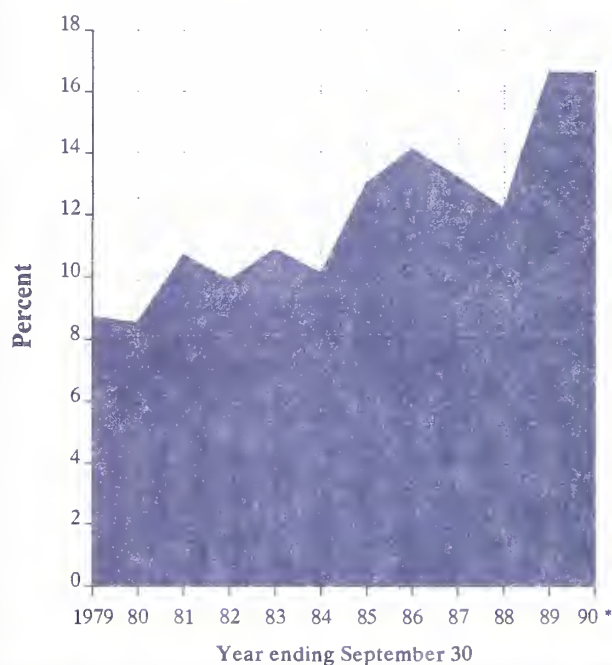
For more information, contact David Pendulum at (202) 382-1294.

EC Policies Harm U.S. Grain Exports...

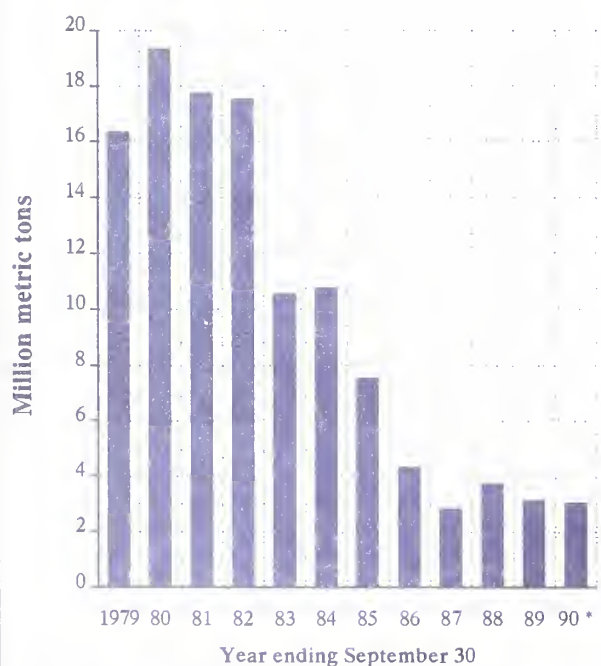
CAP helps EC attain net grain exporter status...



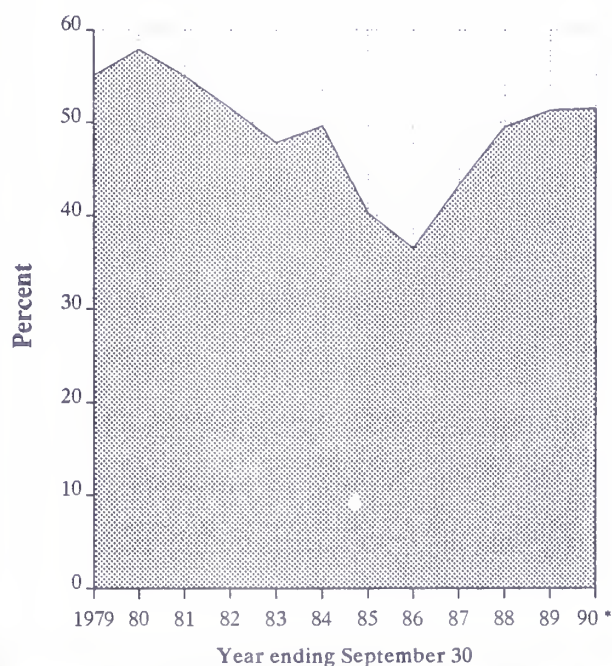
... and capture increasing share of world market.



This resulted in declining U.S. grain sales to EC...



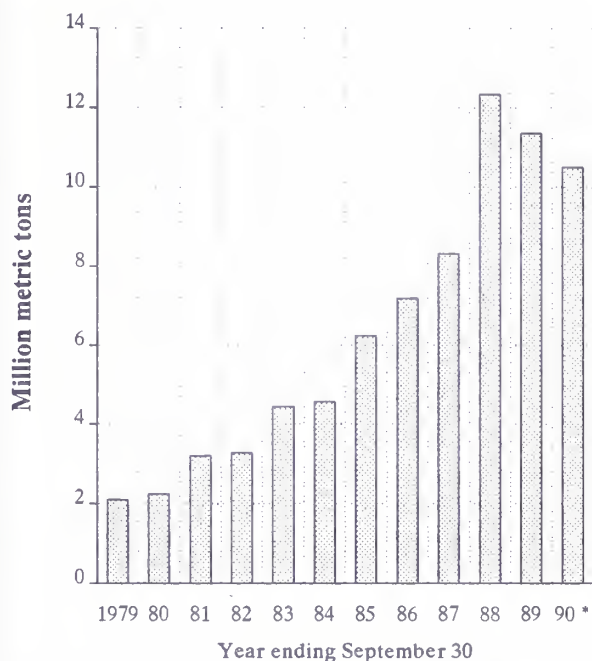
... and loss in global U.S. share prior to 1985 Farm Bill.



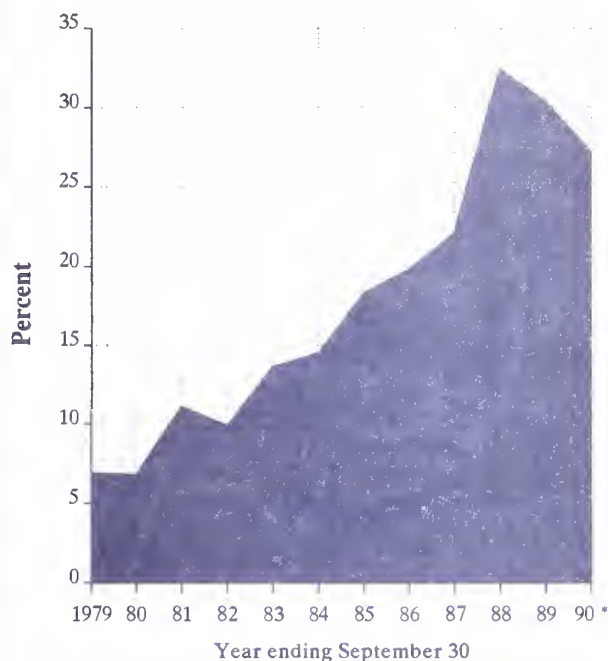
Data Source: "World Grain Situation and Outlook", #FG 2-90, Foreign Agricultural Service, USDA, Washington, D.C.

Are Oilseeds Next?

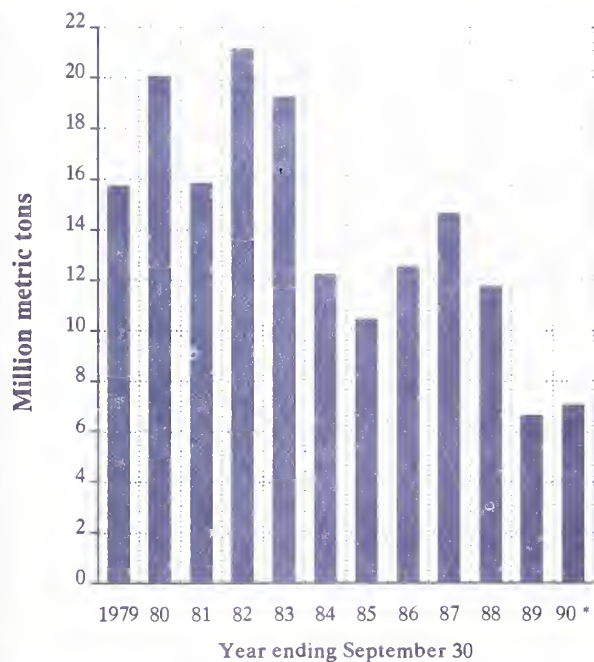
EC production has risen 5-fold during 1980's...



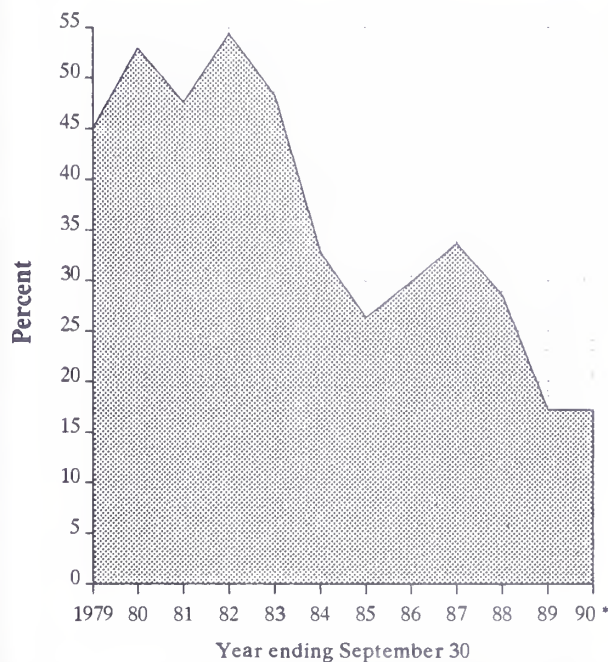
... resulting in dramatic gains in self-sufficiency.



Meanwhile, U.S. oilseed sales to EC declined...



... and U.S. share of EC oilseed market eroded.



Note: All oilseed products are converted to oilseed equivalents.

Data Source: Global Electronic Data Exchange System, Foreign Agricultural Service, USDA, Washington, D.C.

U.S. Agricultural Exports by Major Commodity Group

Year-to-date Performance Indicators and Fiscal 1990 Forecasts

	October-February			Fiscal Year		
	1988/89	1989/90		1989	1990 (f) 1/	
	-- Billion dollars --		% Change	-- Billion dollars --		% Change
Grains & feeds 2/	6.826	7.204	6%	17.098	16.1	-6%
Wheat	2.262	1.802	-20%	6.018	5.1	-15%
Wheat flour	0.104	0.099	-5%	0.266	0.2	-25%
Rice	0.381	0.413	8%	0.956	0.9	-6%
Feed grains 3/	3.076	3.777	23%	7.403	7.3	-1%
Corn	2.592	3.251	25%	6.108	6.4	5%
Feeds & fodders	0.745	0.757	2%	1.822	NA	NA
Oilseeds & products	3.685	3.258	-12%	6.779	5.7	-16%
Soybeans	2.451	2.255	-8%	4.086	3.5	-14%
Soybean meal	0.674	0.469	-30%	1.290	0.9	-30%
Soybean oil	0.153	0.120	-22%	0.404	0.3	-26%
Other vegetable oils	0.164	0.156	-5%	0.416	NA	NA
Livestock products	2.264	2.225	-2%	5.391	5.5	2%
Red meats	0.913	0.954	4%	2.327	NA	NA
Animal fats	0.231	0.195	-16%	0.524	NA	NA
Poultry products	0.298	0.327	10%	0.730	0.8	10%
Poultry meat	0.206	0.239	16%	0.513	NA	NA
Dairy products	0.204	0.129	-37%	0.489	0.5	2%
Horticultural products	1.648	1.908	16%	4.159	4.3	3%
Unmanufactured tobacco	0.655	0.681	4%	1.274	1.3	2%
Cotton & linters	0.770	1.219	58%	2.059	2.6	26%
Planting seeds	0.249	0.319	28%	0.498	0.5	0%
Sugar & tropical products	0.496	0.589	19%	1.190	1.3	9%
Wood products 4/	2.124	2.587	22%	5.876	NA	NA
Total agricultural export value	17.096	17.860	4%	39.668	38.5	-3%

	-- Mil. metric tons --	% Change		-- Mil. metric tons --	% Change	
Grains & feeds 2/	46.037	51.480	12%	115.245	NA	NA
Wheat	14.413	11.093	-23%	37.775	33.0	-13%
Wheat flour	0.520	0.430	-17%	1.240	1.3	5%
Rice	1.246	1.255	1%	3.053	2.6	-15%
Feed grains 3/	24.803	33.501	35%	60.971	66.5	9%
Corn	20.872	29.173	40%	50.556	58.0	15%
Feeds & fodders	4.559	4.588	1%	11.005	11.0	0%
Oilseeds & products	11.536	13.052	13%	21.509	NA	NA
Soybeans	8.271	10.004	21%	14.111	16.1	14%
Soybean meal	2.352	2.116	-10%	4.655	4.2	-10%
Soybean oil	0.272	0.247	-9%	0.754	0.7	-7%
Other vegetable oils	0.268	0.260	-3%	0.683	NA	NA
Livestock products 5/	1.000	1.000	0%	2.508	NA	NA
Red meats	0.342	0.335	-2%	0.807	0.9	12%
Animal fats	0.588	0.539	-8%	1.369	1.4	2%
Poultry products 5/	0.187	0.235	26%	0.483	NA	NA
Poultry meat	0.179	0.230	28%	0.465	0.6	29%
Dairy products 5/	0.127	0.076	-40%	0.353	NA	NA
Horticultural products 5/	1.574	1.713	9%	3.799	3.9	3%
Unmanufactured tobacco	0.108	0.114	6%	0.258	0.2	-22%
Cotton & linters	0.573	0.759	32%	1.491	1.7	14%
Planting seeds	0.172	0.247	44%	0.497	NA	NA
Sugar & tropical products 5/	0.337	0.443	31%	0.933	NA	NA
Total agricultural export volume 5/	61.651	69.120	12%	146.771	148.5	1%

NA = Not available.

1/ Export forecasts are from February 27, 1990, "Outlook for U.S. Agricultural Exports."

2/ Includes pulses and corn gluten feed and meal.

3/ Includes corn, oats, barley, rye, and sorghum and products.

4/ Wood products are not included in agricultural product value totals.

5/ Includes only those items measured in metric tons.

Source: U.S. Bureau of the Census and February 27, 1990, "Outlook for U.S. Agricultural Exports."

Weekly Quotations for Selected International Prices 1/

Dollars per metric ton	Week of 4/18/90	Month ago	Year ago
<i>Wheat (c.i.f. Rotterdam) 2/</i>			
Canadian No. 1 CWRS 13.5%	196	193	217
U.S. No. 2 DNS 14 %	175	175	193
U.S. No. 2 SRW	150	180	189
U.S. No. 3 HAD	188	178	193
Canadian No. 1 durum	191	186	203
<i>Feed Grains (c.i.f. Rotterdam) 2/</i>			
U.S. No. 3 yellow corn	138	129	136
<i>Soybeans and Meal (c.i.f. Rotterdam) 2/</i>			
U.S. No. 2 yellow soybeans	253	246	296
U.S. 44 % soybean meal	NQ	NQ	287
Brazil 48 % soy pellets	200	211	266
<i>U.S. Farm Prices 3/ 4/</i>			
Wheat	130	127	165
Barley	82	85	117
Corn	100	94	106
Sorghum	87	81	95
Broiler 5/	1,209	1,338	1,291
Soybeans 6/	211	220	243
<i>EC Import Levies</i>			
Common wheat	113	116	137
Durum wheat	153	153	NA
Barley	107	97	132
Corn	108	110	143
Sorghum	114	116	154
Broilers	280	282	NA
<i>EC Intervention Prices 7/</i>			
Premium wheat	152	152	NA
Common wheat	150	149	211
Feed wheat	142	142	201
Maize	150	149	211
Barley	142	142	201
Sorghum	142	142	201
Broilers	941	946	NA
<i>EC Export Restitution (subsidies)8/</i>			
Common wheat	74	65	63
Barley	71	72	62
Broilers	296	345	NA

NQ = No quote. NA = Not available. Note: Changes in dollar value of EC import levies, intervention prices, and export restitutions may be the result of changes in \$/ECU exchange rates.

1/ Mid-week quote. 2/ Asking price in dollars for imported grain and soybeans and soybean products, c.i.f. Rotterdam for nearby delivery. 3/ Five-day moving average. 4/ Target price for current marketing year in \$/metric ton: wheat, \$151; barley, \$112; corn, \$112; sorghum, \$106; soybean loan rate, \$166. 5/ Composite 12-city weighted average price for trucklot sales to be delivered to first receiver. 6/ Central Illinois processors bid to arrive. 7/ Buy-in equals 94% of intervention price plus full value of monthly increments. 8/ Figures represent restitutions awarded nearest to the listed dates, * denotes no award given since the previous month.

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